



# **Parks and Recreation Department Audit Report**

Issued by the  
Internal Audit Office  
June 18, 2008

**City of El Paso  
Internal Audit Office  
Parks and Recreation Department Audit**

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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded its audit of the Parks and Recreation Department. Due to the large number of locations the audit focused on a sample including two recreation centers, one daycare, two senior centers and two pools. Based on the results of the audit, nine findings were identified to indicate that improvements are needed in the internal control system to ensure the safeguarding of cash and collection of revenues. Eight of these findings are considered significant in nature, while one finding is not significant.

Listed below is a summary of the eight (8) significant findings identified in this report.

1. There is a lack of policies and procedures regarding the cash handling, revenue, expenditure, and posting processes.
2. Teams are allowed to play without paying the league entry fee. There appears to be a total of \$5,159.00 in unpaid league entry fees for the Fall 2007 and Summer 2008 Baseball League. Complete, accurate and consistent league data is not being maintained.
3. Receipts are not being completed properly or reconciled to verify that receipts assigned to a Center or Pool are accounted for. Receipt book was shared between Centers.
4. Deposits are not being made on a timely basis, according to policy. A total of 37 out of 55 required deposits (67%) were untimely. Of the \$27,211.50 in required deposits, \$15,622.00 were one to six days late.
5. There are inefficiencies in the refund process because customers are allowed to request credit for a future league. Refunds did not have the required support documentation and/or signature approval.
6. Facility rentals fees are not in compliance with City policies outlining fees. Final payments for facility rentals are not made on a timely basis according to the deadlines stipulated in the *Facilities Use Agreement* or *Terms and Conditions*.
7. There are inconsistencies in the *Facilities Use Agreements* and *Terms and Conditions* being used. *Facilities Use Agreements* were not completed properly and were missing information.
8. Revenues totaling \$551.00 were incorrectly allocated to the Rental Revenue Account (#405020).

Listed below is the “Other Finding.”

9. The Galatzan Daycare has several internal control weaknesses. Sign-in sheets were missing times, fees for additional hours and late fees were not assessed and/or could not be calculated, one participant may have been overcharged, and there are inconsistencies in the documents given to parents.

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

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***BACKGROUND***

The mission of the Parks and Recreation Department is to develop, preserve, and maintain quality open space facilities and provide opportunities for structured and unstructured recreational and leisure-time activities for all citizens of El Paso.

In order to fulfill its mission the Parks and Recreation Department operates the following facilities:

- 15 recreation centers which offer sports activities, games, and classes.
- Two daycares housed within two recreation centers which offer preschool, half-day, and full-day care for children two to five years old.
- Nine senior centers which provide an atmosphere where older adults can participate in social and leisure activities.
- 14 pools which offer swimming and fitness classes at nine indoor and five outdoor pools. The indoor pools are heated and open year-round while the five outdoor pools are open from Memorial Day to Labor Day.
- Sports Division consisting of two centers which offer youth, teen and adult sports, as well as classes in sportsmanship and coaching techniques to volunteers, participants, and spectators. In addition, the Sports Division oversees city-wide sports leagues, classes, and athletic fields.

The Parks and Recreation Department collects revenues through fees charged for the various activities offered and for the rental of facilities at each center and pool. The following selected revenues are presented for informational purposes to reflect revenue activity during fiscal year 2007 for the areas reviewed in the audit and do not represent total department revenues:

	Fiscal Year 2007 Revenues
Recreation Centers *	\$ 1,213,857.72
Senior Centers	\$ 228,010.82
Pools	\$ 936,260.08
Sports Division	\$ 459,238.86
Total	<u>\$ 2,837,367.48</u>

\* Includes Daycare Revenues

The Parks and Recreation Department has undergone a change in management within the past year:

	Hire Date
Director	November 2007
Assistant Directors	June 2008
Business & Financial Manager	October 2007

The audit was scheduled at the request of the Parks and Recreation Department Director for the purpose of determining if cash is being safeguarded and revenues due are being collected.

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***SCOPE AND METHODOLOGY***

The audit objectives were to determine if the City of El Paso Parks and Recreation Department has adequate cash handling procedures to ensure the safeguarding of cash. To determine this, the following audit steps were performed:

1. Obtained an understanding of the Parks and Recreation Department revenue structure.
2. Determined if the Parks and Recreation Department has policies and procedures in place to safeguard the cash generated from its revenues.
3. Analyzed and determined how leagues, classes, and programs are structured to include pricing and costing of programs.
4. Determined and documented the various forms used to collect revenues (i.e. cash, checks, credit cards).
5. Reviewed and documented the receipting process.
6. Reviewed and documented the bank deposit process.
7. Reviewed and documented the posting of revenue to the PeopleSoft Accounting System.
8. On a random basis selected transactions to test to determine if the overall cash handling controls were working as intended.
9. As part of the testing process, ensured that a representative sample of recreation centers, senior centers, and pools were selected and at least one test was performed at each recreation center, senior center or pool.
10. Was aware of possible indications of fraud and possible improvements to the internal control structure over cash handling.

Due to the large number of centers, daycares and pools, it was not possible to conduct testing at all locations. Therefore, a sample of locations was selected to undergo detailed testing. The following table lists the areas tested at the selected locations:

Testing Section	Sports Division	Recreation Center	Senior Center	Pool
Registrations	Acosta	Galatzan Daycare	-	-
Facility Rentals	-	Multipurpose	Hilos de Plata	-
Cash Handling & Receipts	-	Galatzan Daycare	Eastside	-
Refunds	Acosta	-	-	
Reconciliations	-	-	-	Armijo
Deposits	Acosta	-	Hilos de Plata	Armijo
Posting & Acct.	-	-	-	Leo Cancellare
Expenditures	-	Multipurpose	Eastside	-

The audit period covered Fiscal Year 2007 – 2008.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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***SIGNIFICANT FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT'S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso's financial statements, identifies an internal control breakdown, a violation of a City procedure, law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an "Other Finding".

**Finding 1**

**Policies and Procedures**

The Parks and Recreation Department does not have policies and procedures regarding the following areas:

- |                                    |  |
|------------------------------------|--|
| • Cash Handling and Receipting     | • Deposits                                     |
| • Petty Cash                       | • Classification, Review & Posting of Revenues |
| • Overages and Shortages           | • Reconciliations                              |
| • Facility Rentals                 | • Expenditures                                 |
| • Registrations (League & Daycare) | • Senior Center Advisory Boards                |
| • Refunds                          |  |

Formal policies and procedures should provide guidance to employees, reflect actual operations, and should be updated on a periodic basis.

**Recommendation**

The Parks and Recreation Department should develop and distribute the appropriate policies and procedures to all employees at Recreation Centers, Senior Centers and Pools.

**Management's Response**

A consolidated PARD Cash Handling Administrative Guideline will be developed and distributed. The guideline will include internal policy and staff direction related to collecting and depositing fees, providing receipts, handling change funds and cash drawers, safeguarding of cash, segregating staff duties, classifying and posting revenue, identifying overages/shortages, processing refunds, and reconciliations. It is unfortunate that the City of El Paso does not have a comprehensive cash handling directive to provide to all departments as a starting point.

In addition, PARD will develop and distribute administrative guidelines for Activity Registration, Facility Reservation/Rental, and Expenditures (including petty cash). An administrative guideline is not needed specifically for Senior Center Advisory Boards, as the Cash Handling policy will include guidance related to 3<sup>rd</sup> party funds.

**Responsible Party**

Policy Development: Leo Wilson, Business Manager (Cash Handling, Expenditures), Judy Weiss, Assistant Director (Activity Registration, Facility Reservation/Rental). Training and Distribution: Leo Wilson, Business Manager, Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager.

**Implementation Date**

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**Finding 2**

**League Entry Fees – Acosta Sports Center**

The Fall 2007 and Summer 2008 Baseball League were selected for review. The following internal control weaknesses were noted:

- There appears to be unpaid entry fees for the following:

Baseball League	Total # of Teams	# of Teams with a Balance as of 5/20/08	Percentage	Entry Fee Balance	Comments
Fall 2007	20	5	25%	\$ 1,375.00	Five out of 20 teams (25%) appear to have a total entry fee balance due of \$1,375.00. However, due to the lack of detailed support documentation, data for this league was deemed unreliable and could not be verified.
Summer 2008	97	17	18%	\$ 3,784.00	17 out of 97 teams (18%) have a total entry fee balance due of \$3,784.00

- Teams are allowed to play even if they have not paid their entry fee by the league start date (A due date for the entry fee was not included in the league flyer).
- Complete and accurate data is not being maintained.
  - Back-up copies of current and historical league data is not maintained in one centralized location. Data regarding the Fall 2007 Baseball League was lost from [www.sportslineup.com](http://www.sportslineup.com) and from the league supervisor's computer. Without League Schedules and Final Standings we could not determine the entry fees that should have been collected.
- Data for the Summer 2008 Baseball League is not consistent. The following is a breakdown of the teams listed:

# of Teams	Listed in the following:
95	League Schedules
101	Current Standings on <a href="http://www.sportslineup.com">www.sportslineup.com</a> (Of these, 97 teams played)
96	Daily Receipts Log

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**Recommendation**

Parks and Recreation Management should establish procedures to ensure that:

- Unpaid entry fees balances are collected.
- Teams are not allowed to play unless they have paid their entry fee by the predetermined due date.
- Back-up copies of current and historical league data are maintained in one centralized location to ensure that complete and accurate data is available to management.
- Data maintained in the Daily Receipts Log is consistent with the League Schedules and Current Standings.

**Management's Response**

A consolidated PARD Activity Registration Administrative Guideline will be developed and distributed (see Finding 1 response). The guideline will include internal policy and staff direction related to sports leagues as well as all other activities that include a fee for service. In the interim, the Sports Manager and staff have been directed to not allow any team to participate if full payment has not been received. PARD does not agree with the conclusion that current league participation data should be maintained in a centralized location. Sports section staff have offices in four separate facilities. Participant records may be maintained by the staff assigned to oversee a particular league sport, i.e., softball or basketball, and data should be available at the respective staff office. Historical participation data will be maintained in accordance with City Record Retention policies.

PARD management will continue to pursue an automated system that includes modules for maintaining league financial and registration data, pending acquisition of sufficient funding to allow the implementation of an appropriate automated system and determination that the appropriate City information technology/communications infrastructure is in place to support automation.

**Responsible Party**

Policy Development: Judy Weiss, Assistant Director. Training and Distribution: Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

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**Chief Internal Auditor's Response**

The Internal Audit Office (IAO) understands the technology challenges associated with maintaining league data in a centralized location. PARD needs to understand that without this database, it is very difficult to trace and verify payments made by individual teams; thus making the audit trail difficult to follow.

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**Finding 3**

**Receipts**

A review of receipts issued at Galatzan Daycare during the period 2/1/08-2/29/08 and Eastside Senior Center during the period 12/1/07-12/31/07 was conducted. The following internal control weaknesses were noted:

- Receipts were not completed properly as shown in the test results shown below:

Location	Total # of Receipts	# of Exceptions	Percentage	Description of Exceptions
Eastside Senior Center	184	149	81%	Missing customer's address
	184	148	80%	Missing customer's phone number
	53	2	4%	Missing the required check number
Galatzan Daycare	119	116	97%	Missing the customer's address and phone number
	119	2	2%	Missing the payment method
	119	3	3%	Missing the employee's signature
	68	3	4%	Missing the required check number

- A receipt book was used by a Center that it was not assigned to.
  - The Galatzan Daycare Receipt Book was lent to Galatzan Recreation Center to provide receipts for a parent class held on September 19, 2007. A total of 13 receipts were issued.
- A reconciliation of receipts assigned to a Center or Pool is not performed to verify that those receipts are accounted for.

**Recommendation**

Parks and Recreation Management should ensure that:

- All receipts are completed properly.
- Receipt books are only used by the Center or Pool that they were assigned to.
- A reconciliation of receipts assigned to a Center or Pool is performed.



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**Management's Response**

A consolidated PARD Cash Handling Administrative Guideline will be developed and distributed (see Finding 1 response). The Day Care program at Galatzan is currently overseen by the Galatzan Center management. While separate receipt books may be desirable, PARD does not agree with the conclusion that separate receipt books are required for programs that are conducted within the same facility. PARD will continue to monitor.

PARD management will continue to pursue a transition from manual receipting to an automated system, pending acquisition of sufficient funding to allow the implementation of an appropriate automated system and determination that the appropriate City information technology/communications infrastructure is in place to support automation.

**Responsible Party**

Policy Development: Leo Wilson, Business Manager (Cash Handling). Training and Distribution: Leo Wilson, Business Manager, Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

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**Chief Internal Auditor's Response**

Regarding PARD response regarding disagreement with the use of Receipt Books, PARD needs to understand the concept of a strong internal control system. By allowing multiple activities within a center to use the same receipt book is considered an internal control breakdown. The activities reviewed are definitely separate, Recreation Center vs. a Day Care. By their sheer separate activity, separate internal control must be designed and followed. The IAO will review the Galatzan Center during the Follow-Up Audit.

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**Finding 4**

**Deposits**

Deposits at the Parks and Recreation Department are not being made in accordance with the policy, which requires that a deposit be made when \$100.00 is collected, or at least weekly. A total of 37 out of 55 required deposits (67%) were untimely. Of the \$27,211.50 in required deposits, \$15,622.00 were one to six days late.

Receipts for the period 2/01/08 through 2/29/08 were selected for detailed deposit testing. The results of the testing were as follows:

Location	# of Required Deposits	# of Untimely Deposits	% of Untimely Deposits	Total \$ Amount of Required Deposits	Total \$ Amount of Untimely Deposits	% of \$ Amount of Untimely Deposits	Days Late
Acosta Sports Center	23	16	70%	\$ 16,554.50	\$ 8,344.00	50%	1 to 6
Hilos de Plata Senior Center	15	10	67%	\$ 4,979.00	\$ 3,448.00	69%	1 to 3
Armijo Pool	17	11	65%	\$ 5,678.00	\$ 3,830.00	67%	1 to 6
Total	55	37	67%	\$ 27,211.50	\$ 15,622.00	57%	

**Recommendation**

Parks and Recreation Department Management should:

- Ensure that deposits are made on a timely basis, according to policy.
- Conduct an analysis to determine if security can be increased by having deposits picked up by an armored car, hiring security guards, or installing surveillance cameras.

**Management's Response**

A consolidated PARD Cash Handling Administrative Guideline will be developed and distributed (see Finding 1 response). Management will consider raising the threshold for the maximum collection allowed prior to deposit. PARD is in the process of obtaining informal quotes for armored service which will be compared to the level of receipting at the various sites. Funding is not currently available within the PARD operating budget for any of the suggested options; however management will review.

**Responsible Party**

Policy Development: Leo Wilson, Business Manager, Judy Weiss, Assistant Director. Training and Distribution: Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

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**Finding 5**

**Refunds**

The process of allowing customers at Acosta Sports Center to request a credit for a future league entry fee instead of a refund is inefficient. It creates extra work for those employees who have to track the credits and increases the risk that a team is given credit by mistake due to the large numbers of teams and payments that must be tracked (463 teams for the period 9/1/07 to 5/30/08).

A review of all of the support documentation for 21 refunds processed for Acosta Sports Center during the period 9/1/07 to 4/30/08 was conducted. The results of the testing were as follows, with some of the refunds having multiple discrepancies:

# of Discrepancies	Percentage	Comments
1	5%	No original receipt
2	10%	No copy of driver's license
9	43%	No signature approval by Sports Manager; The signature field was either left blank or it was signed by someone other than the Sports Manager
5	24%	No signature approval by the Business/Finance Manager (Note 1)
16	76%	Not posted to the original account that the revenue was posted to (Note 2)

Note 1 – From the time that the Business/Finance Manager started to oversee refunds, all refunds have received approval at the Parks & Recreation Administration level and no discrepancies have been noted.

Note 2 - The policy was recently changed by the Business/Finance Manager requiring that refunds be posted to the account that the revenue was originally posted to.

**Recommendation**

Parks and Recreation management should:

- Determine whether customers should be given the option of requesting a refund or credit towards a league entry fee in an upcoming season.
- Ensure that adequate support documentation is maintained and that the appropriate signature approvals are documented for all refunds.

**Management's Response**

The Cash Handling, Activity Registration and Facility Reservation/Rental Administrative Guidelines in development (see Finding 1 response) will address an appropriate process for refunds, and as noted, management has already implemented policy change to ensure proper authorization of refunds. Management does not believe that it would be good practice to allow sports leagues an option of applying credit towards a future league.

**Responsible Party**

Policy Development: Leo Wilson, Business Manager, Judy Weiss, Assistant Director. Training and Distribution: Leo Wilson, Business Manager, Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

**Implementation Date**

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### **Finding 6**

#### **Facility Rentals – Non-Compliance with Policies and Untimely Payments**

A review of facility rentals during February 2008 at the Multipurpose Recreation Center and Hilos de Plata Senior Center was conducted. The following compliance and timeliness issues were noted:

- Facility rentals fees are not in compliance with City policies outlining fees (2008 Budget Resolution Schedule C – Departmental Fee List, City Ordinance #16145, and the El Paso Municipal Code – 13.24.200 Park and recreation fee authorization):
  - 13 out of 13 facility rentals (100%) at the Multipurpose Recreation Center were not charged the correct fees, resulting in a net overcharge of \$403.50. Areas of non-compliance include:
    - Charged "Not for Profit" rate without the required documentation
    - Charged the room rental rate instead of gym rental rate
    - Charged the room rental rate based on the number of people expected instead of the room's maximum capacity
    - Undercharged, overcharged, or did not charge for security guards, processing fee, or kitchen fee
    - Charged a "Clean-up" fee not referred to in the City policies
    - Did not collect the deposit to reserve the event date
  - Two out of four facility rentals (50%) at Hilos de Plata Senior Center were not charged the correct fees, resulting in a net overcharge of \$191.50. Areas of non-compliance include:
    - Overcharged or undercharged for security guards and/or deposit to reserve the event date
- Final payments for facility rentals are not made on a timely basis according to the deadlines stipulated in the *Facilities Use Agreement* or *Terms and Conditions*.
  - Nine out of 13 final payments (69%) were not collected on a timely basis in accordance with the *Terms and Conditions* at the Multipurpose Recreation Center. The untimely final payments were six to 28 days late.
  - Three out of four final payments (75%) were not collected on a timely basis in accordance with the *Facilities Use Agreement* at the Hilos de Plata Senior Center. The untimely final payments were three to 10 days late.

### **Recommendation**

Parks and Recreation Management should ensure that:

- All facility rentals are in compliance with City Policies.
- Final payments for facility rentals are made on a timely basis.

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**Management's Response**

A consolidated PARD Facility Reservation/Rental Administrative Guideline will be developed and distributed (see Finding 1 response). The guideline will include internal policy and staff direction related to rentals at recreation/senior centers as well as all other facilities that offer rentals and reservations. Management will also distribute copies of approved fees and charges for FY09 to staff. Recreation Center, Sports, and Aquatics managers have been directed to not issue facility permits if full payment has not been received when required. Once again it is noteworthy to mention that an automated system would greatly enhance management of reservations/ rentals and management will continue to pursue funding and implementation.

**Responsible Party**

Policy Development: Judy Weiss, Assistant Director. Training and Distribution: Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

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**Finding 7**

**Facility Rentals – Inconsistent and Incomplete Contract Documentation**

A review of facility rentals during February 2008 at the Multipurpose Recreation Center and Hilos de Plata Senior Center was conducted. The following issues were noted:

- There are inconsistencies in the *Facilities Use Agreements* and *Terms and Conditions* being used at the Multipurpose Recreation Center and Hilos de Plata Senior Center regarding the following areas:
  - Number of security guards required and security guard fees
  - Clean-up fees
  - Final payment deadlines
- Facilities Use Agreements for rentals during February 2008 were not completed properly and were missing information.
  - 11 out of 13 *Facilities Use Agreements* (85%) at the Multipurpose Recreation Center were missing one or more of the following:
    - Down payment amount      ▪ Payment dates      ▪ Renter's signature
    - Rent amount      ▪ Payment receipt numbers
  - Two out of four *Facilities Use Agreements* (50%) at Hilos de Plata Senior Center were missing one of the following:
    - Down payment amount      ▪ Date the agreement was signed

**Recommendation**

Parks and Recreation Management should ensure that:

- *Facilities Use Agreements* and *Terms and Conditions* are standardized and consistent for all Recreation Centers and Senior Centers.
- *Facilities Use Agreements* are completed properly.

**Management's Response**

A consolidated PARD Facility Reservation/Rental Administrative Guideline will be developed and distributed (see Finding 1 response). The guideline will include internal policy and staff direction related to rentals at recreation/senior centers as well as all other facilities that offer rentals and reservations. Management will also distribute copies of approved fees and charges for FY09 to staff. PARD agrees that a standardized use agreement format for the recreation/senior centers is desirable.

**Responsible Party**

Policy Development: Judy Weiss, Assistant Director. Training and Distribution: Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

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**Finding 8**

**Facility Rentals**

A review of 46 receipts allocated to the Rental Revenue Account (#405020) during February 2008 was conducted. The following discrepancies were noted:

- Seven out of 46 receipts (15.22%) at the Multipurpose Recreation Center for February 2008 totaling \$551.00 were incorrectly allocated to the Rental Revenue Account (#405020). Of these:
  - Five receipts totaling \$251.00 stated "Donation" on the description field. These receipts should have been allocated to the Donation Account (#405060).
  - Two receipts totaling \$300.00 stated "Hackers" and "Rehab Entry Fee" on the description field. These receipts should have been allocated to the Organized Sport League Account (#404307).

**Recommendation**

Parks and Recreation Management should ensure that revenues are properly allocated.

**Management's Response**

A consolidated PARD Cash Handling Administrative Guideline will be developed and distributed (see Finding 1 response). This policy will address proper classification/allocation of revenue.

**Responsible Party**

Policy Development: Leo Wilson, Business Manager, Judy Weiss, Assistant Director.  
Training and Distribution: Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Paula Powell, Sports Manager, Wright Stanton, Aquatics Manager. (similar to Finding 1).

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***OTHER FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT'S RESPONSES***

**Finding 9**

**Daycare Fees - Galatzan Daycare**

A review of ten daycare participants who attended the daycare a combined total of 167 days for the month of September 2007 was conducted. The following internal control weaknesses were noted:

- Sign-In Sheets were missing sign-in and sign-out times:

# of Days Missing a Sign-In or Sign-Out Time	Percentage	Comment
13	8%	Sign-in time was not listed
25	15%	Sign-out time was not listed

- Fees for additional hours over the daily limit were not assessed or could not be calculated:

# of Days That Fees Were Not Assessed or Calculated	Percentage	Additional Hours	Additional Hours Fees Due	Comment
41	25%	30	\$ 75.00	Fees for additional hours over the daily limit were not assessed.
26	16%	Note 1	Note 1	Note 1: Attendance of additional hours over the daily limit could not be determined because the sign-in and/or the sign-out times were not listed. Therefore, any additional hours fees due could not be calculated.

- The amount of the payment request to Upper Rio Grande Child Care Services does not match the supporting documentation resulting in a possible overcharge:
  - One out of 10 daycare participants (10%) appears to have been overcharged a total of \$65.92. Support documentation on file lists the participant as attending three part-time days during September 2007. However, the documents submitted to Upper Rio Grande - Child Care Services (CCS) as part of a payment request lists the child as attending one full day and 19 part time days.
- Late fees are not being assessed:
  - One out of 10 daycare participants (10%) paid the September 2007 monthly fee a total of 56 days late. A review of the payment history for this participant indicates that payments were consistently late for the months of September 2007 through January 2008. However, no late fees were assessed.



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- There are inconsistencies in the documents given to the parents regarding the payment schedule:

Day Care/ Preschool Policies	Daycare Registration Application
"Payment for the program is due at the beginning of the month and is due by the 5th."	"I understand that tuition payment must be made either: A. In full by the 5th of each month or B. In two equal payments by the 1st and 15th of each month or C. Weekly on Monday of said week."

### **Recommendation**

Daycare management should ensure that:

- Daycare participants are signed in and out each day that they attend the daycare.
- Sign-in Sheets are reviewed and fees for additional hours are assessed when necessary.
- Adequate and accurate support documentation should be maintained for all payment requests submitted to CCS.
- Payments are tracked and late fees are assessed when necessary.
- The documentation provided to parents contains consistent payment schedules.

### **Management's Response**

The Activity Registration Administrative Guideline in development (see Finding 1 response) will address processes for registration, and the Fees and Charges Schedule for FY09 will be distributed. Neither the Fees and Charges Schedule for FY08 or the upcoming schedule for FY09 include a late fee; however, it is standard practice for day cares to collect fees for children who are picked up late as this incurs additional staff cost, therefore, management will pursue review and implementation of late fees and fees for additional hours of service. Management will review and revise processes for day care attendance tracking and enforce payment in advance of service.

### **Responsible Party**

Policy Development: Judy Weiss, Assistant Director. Training and Distribution: Judy Weiss, Assistant Director, Joe Rodriguez, Recreation Manager, Veronica Meyers, District Manager, Day Care Supervisors/Coordinators.

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***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

***CONCLUSION***

Based on the results of this audit, we concluded that there are weaknesses in the Parks and Recreation Department's internal control system as evidenced below:

- There has been a lack of administrative and management oversight of fiscal and day to day operations resulting in:
  - Uncollected revenues, incomplete receipts and contracts, untimely deposits, inefficiencies in the refund process, non-compliance with City policies outlining fees, inconsistencies in facility rental documents, and improper allocation of revenues.
- There is an environment where center supervisors operate without direct supervision or guidance as a result of the lack of adequate policies and procedures. However, we recognize that there is no city-wide guidance related to cash handling.
- There is a heavy reliance on manual processes for revenue transactions, which increases the risk of human error, theft or loss. Management should consider automating revenue processes in order to strengthen internal controls.

The implementation of the recommendations provided in this Audit Report should assist the Parks and Recreation Department in making improvements to the internal controls related to the cash handling process.

We wish to thank the Parks and Recreation Department management and staff for their assistance and courtesies throughout this audit.

Signature on file  
Edmundo S. Calderon, CIA, CGAP, MBA  
Chief Internal Auditor

Signature on file  
Christine L. Esqueda, CIA, CGAP  
Senior Auditor

**Distribution:**

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